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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 07/03/08

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- (1) Nuclear threat to Japan -- Repercussions from Korea's nuclear declaration (Part 3 - conclusion): Success of verification determined by Six-Party Talks members

The United States has obtained North Korea's declaration of its nuclear programs in return for its decision to delist Pyongyang as a state sponsor of terrorism. The chief negotiators of the Six-Party Talks on North Korea's nuclear programs will have to verify whether or not the DPRK has lied in its nuclear declaration in their meeting expected to take place in early July. According to Secretary of States Condoleezza Rice, a group of nuclear experts from the United States, China, and Russia, which are all nuclear powers, will visit North Korea to verify the declaration by conducting spot inspections at the nuclear facilities and interviewing North Korean nuclear experts.

The initial focus is on the amount of plutonium North Korea has produced. The DPRK has reportedly declared that about 30 kilograms of plutonium was produced. It has said that the 30 kg of plutonium was produced in 1992, 2003 and 2005. The U.S. estimate is about 45 kg. There is a 15 kg difference, which corresponds at least to three to four nuclear bombs, between the DPRK's declaration and the U.S. estimate. Washington appears to have included in its estimate the amount remaining in spent nuclear fuel rods and that disposed of during the process of reprocessing spent nuclear fuel rods, besides the amount Pyongyang wrote in its nuclear declaration. The U.S. administration therefore intends to carry out thorough investigation into from waste storage facilities to plumbing.

However, it is uncertain how far North Korea will cooperate with the investigation, which will take several months at least.

Secretary Rice stated: "If Pyongyang's cooperation is insufficient,

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the United States will resume sanctions and apply more sanctions." She even referred to the possibility of Washington cancelling its decision to remove the DPRK from its terrorist blacklist before the delisting is implemented on August 11. Larry Niksch, an expert at the Congressional Research Service (CRS), said however: "If sanctions are imposed, North Korea will withdraw from the negotiating table. So it will be impossible for the U.S. to make such a decision."

After the accuracy of the declaration is confirmed through the verification, the process of disabling North Korea's nuclear facilities, the most challenging part, will finally start. The declaration, however, does not include how many nuclear weapons North Korea has and where it stores them. It is certain that Pyongyang will demand the provision of light-water reactors, in addition to energy assistance. The reason is that even though the building of two light-water reactors was promised in the framework of the 1994 U.S.-North Korea Agreement in return for the DPRK abandoning its nuclear development program, the construction of light-water reactors was cancelled because the agreement was nullified.

There is a possibility that Japan, which took part in the construction of light-water reactors along with the United States and South Korea, will be strongly urged to bear a commensurate burden in debate on whether to provide light-water reactors to North Korea starts moving on a full-scale.

Meanwhile, North Korea neither considers the Six-Party Talks "an arena for negotiations on nuclear disarmament nor is it regarded as abandoning nuclear weapons as a precondition. Therefore, the more negotiations go into the final stage, the more gaps will widen between North Korea and the five other members of the Six-Party Talks on denuclearization of North Korea.

Sung Kim, director of the Office of Korean Affairs of the U.S. Department of State, said that the Bush administration, which is in office until next January, "has not enough time to complete the entire process" during its tenure. Although the Six-Party Talks will enter a new stage, it has become increasingly difficult to drive Pyongyang to disable its nuclear weapons in the limited time left.

(2) Interview with Masaharu Kohno, G-8 Sherpa: Pessimistic about an agreement on long-term emission-cut goal; Global warming talks may

retreat

ASAHI (Page 7) (Full)  
July 3, 2008

Foreign Ministry's Deputy Minister Masaharu Kohno, who will serve as Sherpa of Japan at the Lake Toya Summit to open in Hokkaido on July 7, responded to an interview with the Asahi Shimbun yesterday. On the controversial issue of global warming, he stated: "Negotiations on a certain challenge might retreat from the situation of last year," indicating that negotiations on signing an agreement on a long-term global goal to reduce greenhouse gas emissions are proceeding with difficulty.

In the Group of Eight (G-8) Summit last year in Germany, the G-8 leaders agreed to earnestly look into the long-term goal of halving greenhouse gas emissions by 2050. The focus of attention is on whether an agreement will be reached on this goal at the Lake Toya

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Summit.

But in a meeting held in preparation for the Conference of Major Greenhouse Gas Emitters by 16 state leaders on the last day of the Summit, the participants failed to come up with a shared numerical target. Since the U.S. was saying that an agreement at the G-8 Summit alone will be ineffective, attention was being paid to what moves the U.S. would make.

Kohno said: "An agreement on a long-term goal must be reached without fail," but he added: "With their stances remaining apart, there are wide discrepancies." He said: "No there is no nation that suggests the preparatory work be stopped. There should be leeway to create something," emphasizing that the countries will continue efforts to find common ground.

Kohno indicated a pessimistic view about the possibility of an agreement on the mid-term goal set forth by Prime Minister Fukuda to have the growth of global greenhouse gas emissions peak out in the next 10 to 20 years, saying: "There is still far to go before an agreement is reached." On the Japan-proposed sector-specific approach to determine potential reduction volumes in each industry, he remarked: "There certainly is a gradually growing awareness that this approach is important." It is expected that a declaration to be issued at the G-8 Summit will specify the sector-specific approach as "useful."

On the issue of soaring food prices, the G-8 leaders will adopt an independent special document. The document will specify long-term assistance measures, for instance, to improve developing countries' productivity. Kohno said: "It will be possible to compile arguments into a report with a strong message." The special document is also expected to urge food exporters to eliminate and relax export restrictions and to stress the need to promote the development of second generation biofuel technologies.

Concerning skyrocketing oil prices, Kohno stated: "We will send out a message expressing a sense of crisis about the current situation." The declaration by the G8 leaders will present measures to make the oil market more transparent, but it is unlikely to refer to restrictions on investment money. Kohno said: "It will be difficult to find common terms on the issue."

Some countries have suggested that such emerging countries as China and India should be included in the Summit framework, but Kohno indicated a negative view, remarking: "The current G-8 framework is the most appropriate forum for the world's major industrialized countries."

Statements by Kohno

#### Summary

Recent sharp rises in oil and food prices, both closely connected with each other, and climate change are taking place simultaneously. The G-8 countries must show measures and a political will to deal

with these issues, serving as a driving force to move the world forward. Although (an agreement) might be a mirage, we are conducting discussions from various angles in an effort to find common ground. The G-8 leaders are climbing the last steep slope, holding hands in a line. If they lose their holds, everything will be thrown out. They are still holding hands.

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#### Global warming

It is important for us to show a low-carbon society vision and discuss a roadmap for this initiative. Progress has been made to a considerable extent since the German Summit last year, but negotiations on some tasks might retreat. We are making utmost efforts to bridge the gap up until the last minute.

#### Soaring food prices

We would like to build common perceptions on the stability of food supplies and improvement in productivity, export restrictions, as well as biofuel technologies. Russia has lifted export restriction since July 1, so the G-8 countries are now fall in step with each other on the policy of eliminating and easing export restrictions. The countries will find it easier to share a common perception on the development of next generation biofuels. Regarding current biofuels (because such products threaten food supplies), countries have different positions.

#### Rising oil prices

We will deliver a strong message. It is imperative to improve transparency in the oil market and to avoid a murky flow of money. The G-8 should not intervene in the market.

(3) Japanese vacuum pumps found at Yongbyon nuclear facility were imported by North Korean trading firm headed by former liaison with IAEA inspection team

YOMIURI (Page 1) (Full)  
July 3, 2008

Japanese-made vacuum pumps were found at a North Korean nuclear facility during an International Atomic Energy Agency (IAEA) inspection (in 2007). It has been found through Kanagawa police investigations that those pumps were first exported to Taiwan and then shipped to a trading company in North Korea headed by a person who served as the liaison with the IAEA inspection team. It has also come to light through investigations in Germany that the trading company in question bought devices that could be used at nuclear facilities from a German company and that it exported them to Syria. It has become clear that North Korea has been procuring WMD components through the company closely connected with Pyongyang.

According to a senior investigator, the company in question is Nam Chongang Trading (TN: phonetic) in Pyongyang. The company is reportedly headed by a former diplomat who served as the North Korean point of contact with the IAEA for its inspection of nuclear facilities at Yongbyon.

The Kanagawa prefectural police yesterday sent to the Yokohama District Public Prosecutors Office papers on the 66-year-old president of Nakano Corp., a trade agent of Minato Ward, Tokyo, on suspicion that the company exported eight items, including the vacuum pumps, that might be used in developing nuclear weapons, without the economy, trade and industry minister's permission in violation of the Foreign Exchange and Foreign Trade Control Law. The pumps were first exported to Trans Merits Co., a trading firm in Taipei, in July 2003. They were found at a plutonium-reprocessing facility at Yongbyon during the IAEA inspection in the spring of

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(4) Agriculture minister pledges to set target of achieving food self-sufficiency of over 50 PERCENT at order of premier

ASAHI (Page 7) (Full)  
July 3, 2008

Prime Minister Fukuda on July 2 met with Agriculture Minister Wakabayashi at the Kantei and ordered him to look into specific measures to raise Japan's food self-sufficiency, which now stands at 39 PERCENT. Wakabayashi replied, "I will map out a set of measures with the target rate set at over 50 PERCENT." The prime minister appears to be aimed at indicating a stance of tackling to improve food self-sufficiency with the Lake Toya G-8 summit in Hokkaido, where the food issue will become a main item on the agenda, close at hand.

According to Wakabayashi, the prime minister urged him to make efforts to boost food self-sufficiency, noting, "Where does the blame for the decline of self-sufficiency to 39 PERCENT lie? Are there measures to raise the rate?"

(5) Regulatory Reform Council releases interim report: Calls for deregulation in seven areas, including medical services and agriculture, but driving force for reform wanes

NIKKEI (Page 2) (Almost full)  
July 3, 2008

The government's Regulatory Reform Council, chaired by Takao Kusakari, chairman of Nippon Yusen Kabushiki Kaisha (NYK Line), released on July 2 an interim report on the third set of recommendations to be finalized at year's end. The report lists issues up for consideration in seven areas, including the medical services and agricultural areas. Consultations on those issues with concerned government agencies are now expected. Moves to strengthen regulations are gaining ground in the employment and environment areas. It is viewed that Prime Minister Fukuda, who advocates promoting a consumer-driven administration, is cautious about further deregulation. There has been a clear decline in the panel's ability to promote reform.

Chairman Kusakari emphatically told reporters after the meeting: "Talks will not progress unless government officials have awareness that it is necessary to boost growth through regulatory reform. The panel is pinning its hopes on the prime minister's leadership." The showcase of the interim report is that it gives priority to such viewpoints as a better quality of life and the revitalization of regional areas. Regarding the child-care area, the report proposes establishing child-care centers in a flexible way as part of measures to address the declining birthrate, by revising the existing minimum standards for the establishment of such.

For the reform of the tightly-regulated agricultural area, the report proposes a broad-based plan aimed at revitalizing rural areas and improving food self-sufficiency. Calls for revising the policy of reducing the amount of land devoted to rice cultivation are growing. In response, the report proposes establishing a market where farmers can trade production quotas, based on the presumption that the rice-acreage reduction policy should be abolished in the future, as Acting Chairman Hatta has said. The panel wishes to

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promote new entries into the agricultural sector by scrapping restrictions on the use of farmland, with the aim of putting an end to the perennial lack of young farmers to work in the fields when their elders retire.

However, all the proposals included in the interim report are ones that the panel has failed to put into practice. The prevailing view among government officials is that the panel has run out of proposals, as one government source put it. The economic logic that deregulation is growth has vanished from the report. There is instead a stronger element of a wavering of the structural reform line that has been in place since the Koizumi administration.

The Transport Ministry has started looking into reviving a

regulation on supply and demand adjustment, which was abolished in 2002, to address the issue of the oversupply of taxis. The ruling parties are planning to place a ban on the dispatch of day workers, as such a system is considered to be contributing to the growth of a working- poor population.

Major points of interim report compiled by Regulatory Reform Council

Measures on social security, declining birthrate

? Medical services: The government will take a second look at the enrollment limit of medical departments at universities

? Social welfare, child-care, nursing care: Establish child-care centers, according to a situation in each area

Agriculture, forestry, fisheries and areas for those industries

? Agriculture, forestry and fisheries: Scrap a regulation on the use of farm land; Establish a nationwide market for trading rice production quotas.

Basis for human life

? Anti-monopoly policy: Unify sanctions against violations of the Antimonopoly Law into an administrative surcharge system

Improvement of international competitiveness

? Transport: Disclose payments balance of each airport for the purpose of privatizing airports and introducing a self-support accounting system to them; introduce free competition to the taxi business

Social infrastructure

? Labor: Easing conditions for the application of employment insurance

(6) Interview with former LDP Secretary General Koichi Kato on divided Diet

TOKYO SHIMBUN (Page 2) (Abridged slightly)  
July 3, 2008

-- You have indicated that political realignment is inevitable.

"I think political realignment will occur in two stages. First, the Liberal Democratic Party will become the largest party in the parliament after the next Lower House election. Next, another political realignment will occur in order to eliminate the lopsidedness in the parliament based on principle."

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-- What is the key principle that will trigger realignment?

"The question is no longer about socialism or anti-socialism. It's about market principles or liberalism and whether to put high priority on Asia diplomacy. There are similarities between being liberal and attaching importance to Asia diplomacy. This can be a definite factor."

-- What is the definition of liberalism?

"In my view, liberalism is not economic rationalism based on market fundamentalism but political thought to revive political functions to restore humanness. Simply put, it's about the heart."

-- Is the revival of political functions oriented toward a big government?

"The government could be somewhat big in size as long as it is equipped with proper political functions and can build a society in which people can afford to think of others. We cannot leave everything to the private sector. I want to remake Japan into a people-oriented, community-based country."

-- Do you think the LDP will be able to remain the leading party after the next Lower House election?

"If this situation persists, that's difficult"

-- Why is that?

"People were unhappy with market-oriented politics that lasted six years under the Koizumi and Abe administrations. They expected people-oriented politics under Prime Minister Yasuo Fukuda that is distinct from the Koizumi policy course. But the divided Diet has prevented him from exhibiting his own policy imprint."

-- Some think they cannot fight the next Lower House election under Prime Minister Fukuda.

"It would be meaningless just to change the front page; the contents should also be changed. Prime Minister Fukuda should shuffle his cabinet in order to display his policy imprint. If he can put an end to the Koizumi policy course, he can quite possibly enjoy high popularity."

-- What should be done specifically?

"He should review the healthcare system for people 75 and older and promote environmental measures in order to prove that he is different from Mr. Koizumi. Further, in order for the LDP to retain its dominant political position, the prime minister should also put off dissolving the Lower House for a snap general election until the Lower House members' term expires next year."

-- Are you going to aim at bringing LDP and DPJ liberal forces together after the Lower House election?

"Political realignment will not proceed dynamically unless the two sides need each other. If the DPJ, which controls the Upper House, has a majority in the lower chamber as well, it will no longer need the LDP."

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-- You held a meeting with former Prime Minister Yoshiro Mori the other day.

"I offered an apology for my attempt eight years ago to vote for a no-confidence motion against the then Mori cabinet. I also told Mr. Mori that I will firmly support Prime Minister Fukuda."

-- In the party, there are active moves by some to become candidates to replace Prime Minister Fukuda.

"People are free to express their views, but we must remain united and pull through this critical situation; otherwise (we will not be able to remain as the leading party) and become unnecessary in political realignment."

(Interviewed by Yuji Shinogase)

SCHIEFFER